

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
Atlanta Regional Office  
61 Forsyth Street, Suite 4T20  
Atlanta, Georgia 30303



**DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS**

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April 29, 2014

Lawrence Kissner, Commissioner  
Department for Medicaid Services  
275 East Main Street, 6WA  
Frankfort, KY 40621-0001

Re: Kentucky State Plan Amendment 13-012

Dear Mr. Kissner:

We have reviewed the proposed Kentucky state plan amendment (SPA) 13-012, which was submitted to the Centers for Medicare & Medicaid Services (CMS) on September 30, 2013. Kentucky SPA 13-012 revises the reimbursement methodology for Federally Qualified Health Centers (FQHCs), FQHC look-alikes, and Rural Health Centers (RHCs).

Based on the information provided, the Medicaid State Plan Amendment KY 13-012 is approved on April 29, 2014. The effective date of this amendment is September 6, 2013. Enclosed are the approved HCFA-179 and state plan pages.

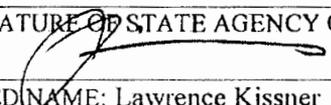
If you have any additional questions or need further assistance, please contact Darlene Noonan at (404) 562-2707 or [Darlene.Noonan@cms.hhs.gov](mailto:Darlene.Noonan@cms.hhs.gov).

Sincerely,

A handwritten signature in black ink that reads "Jackie Glaze" with a stylized flourish below it.

Jackie Glaze  
Associate Regional Administrator  
Division of Medicaid & Children's Health Operations

Enclosures

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>		1. TRANSMITTAL NUMBER: 13-012	2. STATE Kentucky
FOR: HEALTH CARE FINANCING ADMINISTRATION		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE Effective September 6 2013	
5. TYPE OF PLAN MATERIAL (Check One):			
<input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: Section 2301 of the Affordable Care Act		7. FEDERAL BUDGET IMPACT: a. FFY 2013                      \$0.00 b. FFY 2014 <del>Indeterminable (see cover letter)</del>	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Att. 4.19-B, Page 20.16 Att. 4.19-B, Page 20.16(1) Att. 4.19-B, Page 20.16(2) Att. 4.19-B, Page 20.16(3) Att. 4.19-B, Page 20.16(4) Att. 4.19-B, Page 20.16(5)		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):  Att. 4.19-B, Page 20.16 Same All other pages new	
10. SUBJECT OF AMENDMENT: The purpose of this State Plan Amendment is to establish new reimbursement for FQHC's, FQHC look-alikes and RHC			
11. GOVERNOR'S REVIEW (Check One):			
<input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL		<input checked="" type="checkbox"/> OTHER, AS SPECIFIED: Review delegated to Commissioner, Department for Medicaid Services	
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO:  Department for Medicaid Services 275 East Main Street 6W-A Frankfort, Kentucky 40621	
13. TYPED NAME: Lawrence Kissner			
14. TITLE: Commissioner, Department for Medicaid Services			
15. DATE SUBMITTED: 9/6/13			
<b>FOR REGIONAL OFFICE USE ONLY</b>			
17. DATE RECEIVED: 09-30-13		18. DATE APPROVED: 04-29-14	
<b>PLAN APPROVED - ONE COPY ATTACHED</b>			
19. EFFECTIVE DATE OF APPROVED MATERIAL: 09-06-13		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: Jackie Glaze		22. TITLE: Associate Regional Administrator Division of Medicaid & Children Health Opns	
23. REMARKS: Approved with the following changes as authorized by the state agency email dated 04/22/14 and 04/25/14: <u>Block #7 changed to read: FFY14 "\$0"</u>  <u>Block #8 changed to read: Attachment 4.19-B pages 20.16, 20.16(1) and 20.16(2).</u>			

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XVII. FQHC, FQHC look-alike and RHC Services

- A. Standard Reimbursement for an FQHC, FQHC look-alike, or RHC for a visit by a Fee-For-Service (FFS) Medicaid recipient.
1. For a visit by a FFS recipient, the department shall reimburse:
    - a. An FQHC, FQHC look-alike, or RHC an all-inclusive encounter rate per patient visit in accordance with a prospective payment system (PPS) as required by 42 U.S.C. 1396a(aa); or
    - b. A satellite facility of an FQHC or FQHC look-alike an all-inclusive encounter rate per patient visit in accordance with a prospective payment system (PPS) as required by 42 U.S.C. 1396a(aa).
  2. Costs related to outpatient drugs or pharmacy services shall be excluded from the all-inclusive encounter rate per patient visit.
  3. The department shall calculate a PPS rate for a new FQHC, FQHC look-alike, or RHC as outlined in Section B below.
  4. The department shall adjust a PPS rate per visit:
    - a. By the percentage increase in the MEI applicable to FQHC, FQHC look-alike, or RHC services on July 1 of each year; and
    - b. In accordance to Section C below.
      - (1) Upon request and documentation by an FQHC, FQHC look-alike, or RHC that there has been a change in scope of services; or
      - (2) Upon review and determination by the department that there has been a change in scope of services.
  5. A rate established in accordance with this State Plan Amendment shall not be subject to an end of the year cost settlement.
- B. Establishment of a PPS Rate for a New FQHC, FQHC look-alike, or RHC.
1. Newly qualified FQHCs/RHCs, after fiscal year 2000, will have initial payments established either by reference to payments to other FQHCs/RHCs with similar caseloads, or in the absence of such other FQHCs/RHC facilities, through cost reporting methods. Further, the costs that must be considered in calculating the payment rate are those reasonable costs used in calculating the rates for FQHCs/RHCs with similar caseloads. After the initial year, PPS shall be set using the actual cost of the FQHC/RHC and trended annually by the Medicare Economic Index (MEI).

## XVII. FQHC, FQHC look-alike and RHC Services (cont.)

## C. Alternative Payment Methodology

Kentucky Medicaid has established an Alternate Payment Methodology (APM) effective July 1, 2014, for services provided on and after July 1, 2014, consistent with 1902(bb)(6) of the Social Security Act, Section 702 of the Benefits Improvement and Protection Act (BIPA) of 2000, and SMDL #01-014 dated 1/19/2001. The Alternate Payment Methodology, available to both newly qualified and established centers shall be 125% of the Medicare Upper Payment Limit for RHC's as of September 30, 2014. An FQHC, FQHC look-alike or RHC may choose the higher of the PPS rate developed as per the above guidelines, or the APM.

## D. Change in Scope and PPS Rate Adjustment.

1. If an FQHC, FQHC look-alike, or RHC changes its scope of services after the base year, the department shall adjust the FQHC's, FQHC look-alike's, or RHC's PPS rate.
2. An adjustment to a PPS rate resulting from a change in scope that occurred after an FQHC's, FQHC look-alike's, or RHC's base year shall be effective within six months of notification by the health center provided sufficient documentation has been provided to the state.
3. A change in scope of service shall be restricted to:
  - a. Adding or deleting a covered service;
  - b. Increasing or decreasing the intensity of a covered service; or
  - c. A statutory or regulatory change that materially impacts the services type, intensity, duration and/or amount of services of an FQHC, FQHC look-alike, or RHC.
4. The following *items* individually shall not constitute a change in scope:
  - a. A general increase or decrease in the costs of existing services;
  - b. An expansion of office hours;
  - c. An addition of a new site that provides the same Medicaid covered services;
  - d. A renovation or other capital expenditure;
  - e. A change in ownership.
5. A change in scope or intensity shall include an increase or decrease, by at least five (5) percent. Additionally, the change must be demonstrated by a provider over a reasonable period of time to be evaluated by the state in consultation with the provider.
6. The following documents shall be submitted by the provider, to the department, within six (6) months of the effective date of a change in scope:
  - a. A narrative describing the change in scope;

## XVII. FQHC, FQHC look-alike and RHC Services (cont.)

- b. A projected cost report containing twelve (12) months of data for the interim rate change; and
  - c. A completed MAP 100501, Prospective Payment System Rate Adjustment, *completed according to the Instructions for Completing the MAP 100501 Form* - <http://chfs.ky.gov/NR/rdonlyres/0876931B-F876-4700-B1D3-4C51CD0A2A71/0/1055.pdf>.
7. The department shall:
- a. Review the documentation; and
  - b. Notify the FQHC, FQHC look-alike, or RHC in writing of the approval or denial of the request for change in scope within ninety (90) business days *from the date the department received the request*.
8. If the department requests additional documentation to calculate the rate for a change in scope, the FQHC, FQHC look-alike, or RHC shall:
- a. Provide the additional documentation to the department within thirty (30) days of the notification of need for additional documentation; or
  - b. Request an extension beyond thirty (30) days to provide the additional documentation.
  - c. If the provider does not submit the requested material within the specified timeframes, this may delay implementation, by the state, of any approved change in scope and service.
- E. Exceptions
- 1. Except for a case in which a recipient or enrollee, subsequent to the first encounter, suffers an illness or injury requiring additional diagnosis or treatment, an encounter with more than one (1) health care provider *or* multiple encounters with the same health care provider which take place on the same day and at a single location shall constitute a single visit.
- F. Supplemental Reimbursement for FQHC Visits, FQHC Look-alike Visits, and RHC Visits.
- 1. If a managed care organization's reimbursement to an FQHC, FQHC look-alike, or RHC for a visit by an enrollee to the FQHC, FQHC look-alike, or RHC is less than what the FQHC, FQHC look-alike, or RHC would receive pursuant to above guidelines, the department shall supplement the reimbursement made by the managed care organization in a manner that:
    - a. Equals the difference between what the managed care organization reimbursed, in total, and what the reimbursement would have been if it *had* been made in accordance with the above PPS or APM methodology for FFS members;
    - b. Is in accordance with 42 U.S.C. 1396a(bb)(5)(A); and
    - c. FQHCs/RHCs must report all managed care payments to the state, whether or not a particular beneficiary received a service, in order for the state to determine if wrap-around payments must be made.
- G. Out-of-State Providers. Reimbursement to an out-of-state FQHC, FQHC look-alike, or RHC shall be the rate on file with the FQHC's, FQHC look-alike's, or RHC's state Medicaid agency.